

# THE CO- OPERATOR



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OPENS SOME DOORS

NO 11 SEPTEMBER 1985

• COMPUTER WOLVES

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IN PERU  
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Nicolina Tucci

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FRONT COVER: Women's Media Unit

## News

Sybylla's new release  
 Federation pushes publicity  
 PBS battles for airspace

## Features

Women's Media Unit — new opportunities vs old prejudices

Worker Ownership — in the US, suddenly everyone likes it, including Reagan.

Trade Unions — how they can work for worker co-operatives?

Self-managing in South America



## Speaking The Same Language

**Ironically the Australian College of English probably has a higher profile overseas than it does back home.**

However following its incorporation in August 1982 it has become one of the major success stories of the worker cooperative sector. Since it began as a private venture in 1981, the College has offered language classes for foreign students and tourists. It began as the brainchild of four teachers who had previously worked at the University of NSW. The teachers found two investors who were willing to put up money, and a private company was formed. From an initial student intake of 15, the enrolments rose to 60 by 1982. However the business was failing financially, and there was friction between investors and teachers.

The crunch came in 1983 when the investors decided to withdraw loan capital.

"The core of our problems was really the allocation of money", said Colin McNaught, one of the original members. "In one case the investors wanted to withdraw it when people working here felt they'd made substantial sacrifices."

The six teachers decided to buy out the investors in early 1983, and contacted the Common Ownership Development Agency of NSW. By August 1983 the six members had contributed \$3,000 each. Common Ownership Finance supplied a \$30,000 loan and the College had become a cooperative.



College Staff

"From that time on, things went really well. About a month after we became a cooperative we got a lot of students from Indonesia in particular, and this put the business properly on its feet", said McNaught.

"Our policy is to maximise the number of full-time staff, and in that respect we lead the field."

Since becoming a worker cooperative, the working atmosphere has changed dramatically.

"I would say we have a very harmonious atmosphere, the people are committed and there's a strong participation in its running by everyone."

The college does not advertise its democratic structure. However students become aware of the cooperative nature of the business through their learning environment.

Since the worker takeover, business has increased by 30 percent. The college currently has 120 students. It also runs a teacher-training course accredited with the Royal Society of Arts in England for those who want to teach English as a foreign language overseas.

The college depends heavily on promo-

tion work done overseas and has a network of commission agents. With the aid of agents, word of mouth, and Qantas, the college attracts many students from Hong Kong, Japan, Malaysia, Indonesia, Switzerland and the South Pacific.

Its relationship with Qantas is a two-way flow — students are encouraged to fly with the airline.

With the changeover in structure has come a greater collective responsibility.

"Meeting procedure and decision making is a lot harder than we expected", said McNaught. "It requires a lot of time to become efficient. We have also had to guard against the tendency towards factionalism."

The college now offers differentiated salaries based on experience. Each new member is asked to contribute \$1,600 and the cooperative now employs 11 staff.

For further information about the Australian College of English write to Box 82, Bondi Junction, NSW2022.

## Rapid Expansion In Scotland

**This year's annual report of the Scottish Cooperatives Development Committee (SCDC) reports that there are now 64 worker cooperatives trading in Scotland.**

This shows a dramatic increase in the sector during the last nine years. In 1976, there was only one worker cooperative. The sector now employs 520 people. SCDC staff are working with 20 further groups, most of which

are expected to start trading later this year.

Following a visit to the Mondragon cooperatives in northern Spain by 10 SCDC members last year, the SCDC's constitutional structure has been changed and a scheme of Enterprise Research Awards (to help cooperative promoters to work up new ideas) will be established.

## Message In A Bottle

**'We've had print cooperatives, plant nursery cooperatives and even restaurant cooperatives. But a wine merchant's cooperative? And one that specialises in importing wines and spirits from socialist countries no less!**

Those warning of reds under the beds may do well to turn the search to the cellar.

Vinceremos Wines and Spirits is a new worker cooperative based in Leeds, England. Its stock list boasts an exotic range of Russian vodkas as well as Russian champagnes.

France is also represented, although its wines are listed simply as French Red, French White and French Rose. Hopefully these refer to categories rather than the actual name.

The cooperative is now interested in contacting wine making cooperatives in Australia who are wishing to export. However it's not simply a case of "only the best reds will do". Vinceremos are particularly interested in wines having a certificate of being additive free or organically produced. You can write to: Vinceremos Wines and Spirits, 32 Kensington Terrace, Leeds, LS6 1 BE, UK.



## Latest Press Release

Sybylla Press has gained further prominence as a publisher of women's writing with its latest release, *Quilt: A Collection of Prose* by Finola Moorhead.

The publication was launched this month in Melbourne, coinciding with the Women Writers' Week. This was followed with another launch in Sydney.

This is Moorhead's first book and contains a wide selection of her short stories, poetry and essays. Sybylla Press is one of the only publishers in Australia that specifically handles women's writing. It began publishing fiction in 1982. Its first release, titled *Frictions*, was an

anthology of women's fiction, edited by Anna Gibbs and Alison Tilson. This is now in its second edition.

In March 1985, Sybylla published its first novel: *A Gap In The Records*, by Jan McKemish. Although Sybylla is primarily a printing business, its publishing ventures have proved successful, according



Finola Moorhead — first book

to collective worker Alison Ravenscroft.

The cooperative was now hoping to publish a work of non-fiction, she said.

"We're particularly interested in

biographies and autobiographies. A work on feminist refugees is also being considered."

## Remodelling The Rules

In Britain, a new model legal structure for small, collectively run worker cooperatives is now available.

Published jointly by the Industrial Common Ownership Movement (ICOM) and the Leicester and County Development Agency, the *Collectively Run Worker Cooperatives: Registration Pack* contains full information for groups wishing to register as a workers' coop.

The model structure, known as the "Leicester" model, tries to reflect the working practices common in collectively run coops.

Using it, a coop will become legally incorporated as a company limited by guarantee, without share capital. The model includes a number of provisions not in other cooperative legal structures. In particular:

- all employees are normally members of the coop;
- non-employees cannot be members of the coop;
- all employees are automatically members of the management group, the workers' collective (the directors of the company);

- decision making is, as far as is possible, by consensus.

The model also commits coops to anti-sexist and anti-racist working practices.

## End To Station Stalemate

Plans by public broadcasting cooperative 3PBS to relocate its transmission site to Mt Dandenong have suffered setbacks in recent months

The cooperative has for some time seen the move to Mt Dandenong as the key to its future expansion. In particular the move would allow the station to expand broadcast hours and transmission range. However station manager Ian Stanistreet said the station's plans to relocate were disrupted on several occasions when the owners of broadcasting facilities at Mt Dandenong changed their minds.

"As option after option was eliminated the situation became one of stalemate. All existing towers were unavailable either due to lack of capacity or a lack of

interest in sharing excess capacity."

The stations's plans also came up against local environmental regulations which prevented any new towers being constructed.

3PBS has now found an ally in sister station 3MBS-FM who faces similar problems due to its inner city transmission site. A group who sought to establish an ethnic public broadcasting station in Melbourne have become a third party in a joint venture to overcome the obstacle.

With the support of the Public Broadcasting Association of Australia (PBAA) and the Public Broadcasting Foundation (PBF), the stations approached the Federal Communications Minister, Mr Michael Duffy.

Stanistreet said the Department of Communications had recently outlined a possible avenue to accommodate the stations at the national transmitter site at Mt Dandenong.

Following the cessation of SBS's VHF transmission band in early 1986, the tower may then have sufficient capacity.

"While there is many a slip twixt the cup and the lip, the stations are confident that this opportunity will provide a possible solution," said Stanistreet.

"Relocation to the transmission site at Mt Dandenong is the key factor to the cooperative's future. We will increase our effective radiated power to ten kilowatts and gradually extend our hours of broadcast to continuous transmission.

"We will finally be able to provide a service to the whole of Melbourne."



## Federation In The News

The Cooperative Federation of Victoria has begun publishing its own newsletter.

The Federation will use a grant from the Registry of Cooperatives to help finance the project, which will also include a series of pamphlets on cooperative development.

The new publications officer with the Federation, Jo Healy-North, said the project was a response to the need for more general resource material on the cooperative movement. The project will initially run for three months, with two copies of the newsletter published by late September. Healy-North, who will produce both the newsletter and the pamphlets, said the Federation wished to fill the information gap which existed within the cooperative sector.

"The Federation's membership is largely made up of traditional, established cooperatives, most of which are large producer and trading bodies.

"One of the problems I'd like to tackle is a seemingly growing distance between the old coops and the new. Much can be learnt from both sides.

"For instance I see conversion coops as providing solutions and models for overcoming differences between different cooperative sectors."

The Federation is also considering a series of seminars and information nights to popularise cooperative principles.

Healy-North emphasised the newsletter would not compete with existing cooperative publications.

"On the contrary, I want to work with and complement other groups within the sector."

### CORRECTION

In last month's supplement, we wrote that dividends would be paid to shareholders in common equity rental housing coops. In fact no dividends will be paid. We blame gremlins in the machine but also apologise for any convenience caused.

## MOVING INTO MEDIA



In the past ten years women have become more visible in the technical areas of radio and television. However despite some hard won gains the profession is still by no means an easy one for women to enter. Training opportunities are rare, traditional prejudices remain and the industry is still weighted towards the employment of men. With these problems in mind, Open Channel is sponsoring, through the Community Employment Program (CEP), the Women's Media Unit.

A ten month project, it employs 12 participants, including a coordinator, secretary and documentarist. The project is co-sponsored by 3RRR and will provide broad technical training in video and radio.

Unlike many CEP projects, the Women's Media Unit is seen strictly as a training program.

Coordinator Sue McCauley said many CEP projects confused training with production.

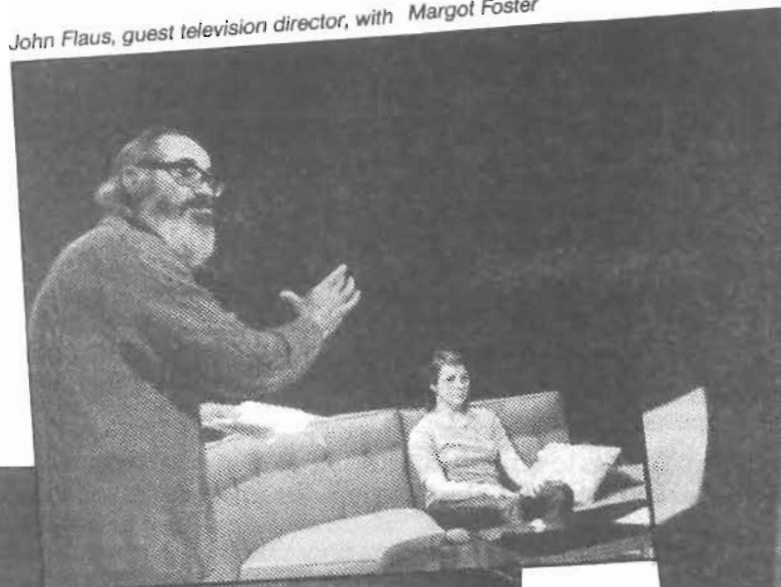
"In many projects, there are

unnecessary expectations placed on the product. I'm trying, in the first four months, to give the group an overview in sound, lighting, interviewing and camera work."

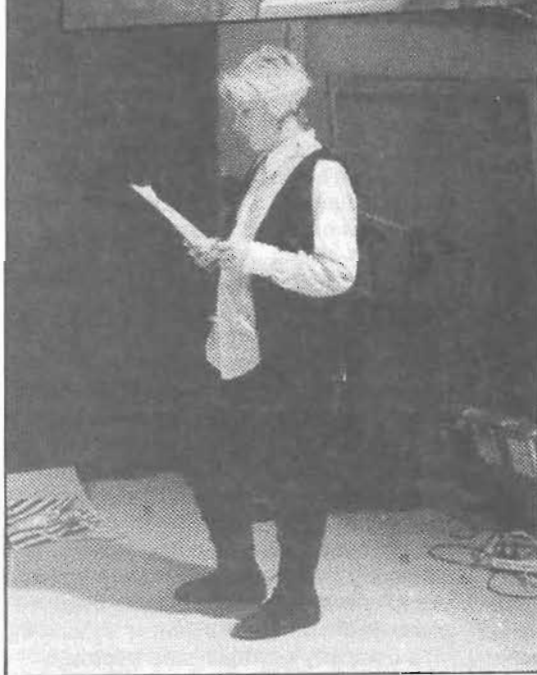
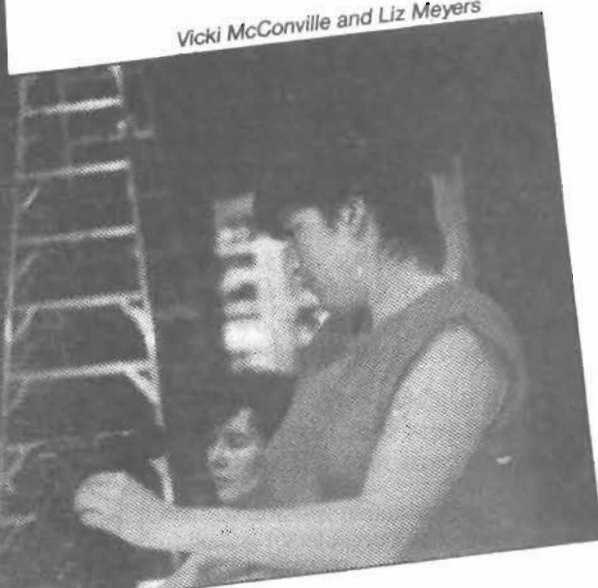
"Once that has been achieved, we will then start working on small in-house productions to put these newly-learned skills into practice. We're aiming for a structured training program, not a 'what will we do today girls?' approach."

For most of the participants, this will be

John Flaus, guest television director, with Margot Foster



Vicki McConville and Liz Meyers



Cheryl Hood



Marie Hoy, Liz Meyers, Kathy Richardson and Maria Vician

their first contact with both video and radio. Vicki McConville, employed to document the project, said there was a danger of becoming overworked in this type of project.

"Everyone is very energetic, and they see this as a fantastic opportunity to train in a new area. But through all this energy and eagerness, we could easily burn ourselves out.

"We find we have to work twice as hard as men in this area. It seems men are more conditioned to cope with problem solving in technical areas. We on the other hand tend to panic. I'm starting to realise it's no harder learning the basics of a VCR than it is handling a Magi Mix."

There is little training available in the video and radio industries. Training institutions are few and apprenticeships are rare. One of the participants in the project, Marie Hoy, said there was a need for greater access to training in video and radio.

"If you haven't been to a video or film school, you can't get work. It's also a very male dominated industry. Consequently many women feel that technical training is not for them in this industry."

Open Channel has sponsored several CEP projects in the past two years. In 1984, the cooperative received \$1.7 million to sponsor the Australian Film Theatre, which employed more than 60 people.

Since its inception, the CEP scheme has been criticised as an employment "band aid". Many CEP participants have expressed dissatisfaction with the scheme, in particular that it offers few employment advantages.

The aims of CEP differ considerably from the objectives of worker or community cooperatives. While CEP funding is for short term projects, cooperatives in general aim to expand their employment base and become self-sustaining.

However Open Channel Education and Training Coordinator Bronwyn Evans said the participants in the Women's Media Unit would gain considerable work experience.

"Certainly CEP schemes have had their problems. However I feel this current project is operating with very specific goals. As a group they're very exciting to work with. There's a great deal of enthusiasm."

Evans said CEP and other employment schemes were often judged unfairly on their product.

"I regard process as important as product. The success of this project will be measured by how much has been personally gained by the participants."



## Does Worker Ownership Work?

Clothing manufacturer Fletcher Jones is one of several Australian companies that have become famous for giving workers a substantial share holding. However critics of this form of worker ownership in Australia argue that it clearly benefits management more than workers. In the United States, worker ownership has gained much popularity in recent years. As Jeff Faux discusses below, there are varied and complex responses to the practice.

**O**ne night seven years ago I sat in a tavern in Youngstown, Ohio, talking to a steelworker who had just lost his job. The mill where he'd worked had just closed down for good because it couldn't compete with Japanese imports.

The plant was obsolete, he said, and the managers were incompetent. For example, the steelworker explained, a machine in his part of the mill broke down periodically because of some simple thing, but the managers didn't know how to fix it.

"Why didn't you show them?" I asked. "Screw 'em," he said. "It's their machine!"

The next day I suggested to a group of businessmen that the labor-management relations in the defunct mill might have been better had the workers owned a piece of it. Some smirked. Some rolled their eyes toward the ceiling. One said I must be a communist. End of discussion.

In the several years since that meeting, the idea of workers owning their factories, offices, and stores has burst out of the Bolshevik closet and has become virtually a capitalist fad. Endorsers of worker ownership now include Ronald Reagan, Ted Kennedy, and the New York Stock Exchange. Examples of the phenomenon include Eastern Airlines, US Sugar, Publix Supermarkets, W.L. Gore & Associates and dozens of taxi companies, bakeries and other small businesses.

Corey Rosen, an associate at the National Centre for Employee Ownership in Arlington, Virginia, says there are now about 1,000 American companies in which the workers own a majority of shares. Another 10 million workers in about 7,000 more companies own some shares but less than a majority. That's still only a drop in the bucket, given the 4.5 million corporations doing business in America. But there are good reasons to believe that employee ownership will continue to expand. Management consultant John Simmons, coauthor of *Working Together: Employee Participation and Action*, predicts that by 1990, 20 percent of firms of 500 or more employees will be all or partially worker owned.

In terms of survival in the marketplace,



there is now little doubt that employee ownership works. In fact, when workers own a piece of the company, it clearly tends to do a little better than its conventionally owned competitors. Studies made by Rosen's centre and the New York Stock Exchange concluded that firms of at least 10 percent worker ownership grew faster and had higher profits than those without. The studies do not tell us precisely why this is so, but most observers think that it is in part because employee-owners care more about the company and work harder to ensure its success.

Peter Barnes, who for five years was president of The Solar Centre in San Francisco, is convinced of it. The firm was started as a worker-owned company in 1976 and survived while perhaps a thousand similar firms in California opened and failed.

"Partly it was because we made some smart business decisions," says Barnes. "But worker ownership made a real contribution. Everyone took responsibility for the company's success. When sacrifices had to be made, we all took pay cuts and shared what work there was. The commitment came from knowing that we

were in it together."

In a sound business, the benefits of employee ownership can be dramatic. Lowe's Companies, a fast-growing retail home improvement chain in the South, began distributing shares to its employees back in 1957. By 1975 a \$125-per-week warehouse laborer could have retired after 17 years with stock worth \$660,000.

For less successful companies, worker ownership has been a way to save jobs. It often represents a last-ditch effort to rescue troubled firms by giving workers shares in exchange for wage and/or benefit concessions. The wages-for-stock deal has helped companies like Eastern Airlines and Chrysler weather financial storms. In 1984 it helped turn Weirton Steel — created when workers bought out an ailing National Steel Company plant in Weirton, West Virginia — into one of the most profitable steel plants in the country.

If a company's fundamental business problems are not solved, of course, it doesn't matter much who owns it. The Rath Packing Company shut down last December, four years after an employee-ownership buyout saved the firm from bankruptcy. The capital needed to modernise the company's ageing plant went up and pork prices went down and the struggling company finally went under.

As to the basic question of whether the workers are really in charge, the answer is no — or at least not yet.

Partly this is because of the way worker ownership is usually organised — through a special type of trust fund called an employee stock-ownership plan, or ESOP. The ESOP is a provision of the US tax code, and was created by Democratic Senator Russell Long of Louisiana. Long, a believer in worker ownership, also happened to be the chairman of the Senate Finance Committee.

In a typical deal, the ESOP buys the stock of the company and allocates shares among employees — usually on



the basis of salary and/or seniority. The stock and the dividends are tax free until the employee leaves or retires, which is when he or she actually receives the shares. An ESOP also can borrow money for the purpose of buying stock, thereby generating more tax benefits for itself and for the people who lend it money.

Workers have a claim on the ESOP, but it is the trust fund that actually owns and votes the stock. In most cases, the ESOP trustees are chosen by the financiers who have lent the money. Not surprisingly, ESOP trustee boards tend to be dominated by management, bankers, and their lawyers. In only about 30 percent of all ESOPs are voting rights "passed through" to the workers.

Critics of some recently formed ESOPs have charged that the device is simply sugarcoated pull to get workers to swallow pay cuts.

It's worker ownership "a la Wall Street," says Staughton Lynd, a labor lawyer who represented a group of workers opposed to the employee-ownership plan at Weirton Steel.

"Workers have no real power and never will under the present structure," he says. "Weirton is making money because the market for steel plate is strong and the workers took a 20 percent pay cut."

Corey Ropsen concedes that power in most of the worker-owned firms does not lie with the workers. But that is not only a result of the way shares are owned. The more fundamental problem is that workers are not all that interested in running things.

"I know some people on the left don't like to hear this," he says, "but we have found that when given a choice between more money and more opportunity to participate in management decision making, workers will almost always choose the money. In fact, for a worker-owned enterprise to succeed, it is more important for the managers to be for it than for the workers to be for it. In most cases the workers have to be persuaded."

Rosen's comment reminded me of what a union shop steward once observed about worker participation: "It's bad enough that a working guy has to sell his body for eight hours. You want his mind too?"

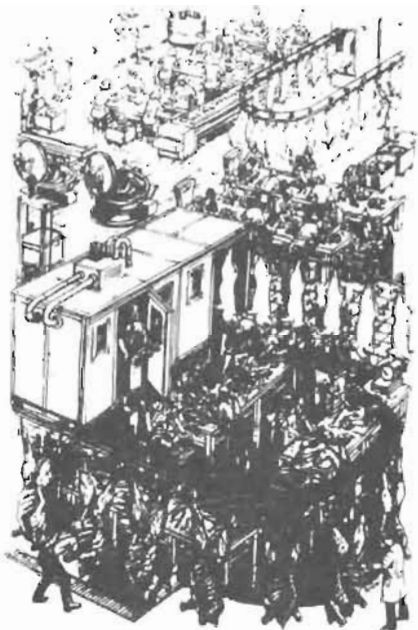
But Steve Dawson of the Industrial Association in Somerville, Massachusetts, says that when business is good, worker-owners generally leave things to the managers, who get paid for running the business. But when things begin to go wrong, the workers want to become involved. Often they find out too late that they don't have any real authority.

"In fact," says Dawson, "the whole idea of setting up a trust fund in the first place is because they (management) don't

trust the workers to handle it. They are treated like children."

The result is that worker-ownership plans have not yet filled in the gap between labor and management that still exists in most large-scale industrial plants. At Hyatt-Clark, a New Jersey ball bearing manufacturer that workers bought from General Motors in 1981, worker-representatives on the board had to go to court to force the rest of the board to disclose management salaries.

And the fact that employees at Easter Airlines own 25 percent of its stock and hold six seats on the board did not stop boss Frank Borman from arbitrarily announcing the continuation of a wage freeze, in violation of a previous arrangement. The act broke up labor negotiations and almost caused a strike.



At Pan Am where employees own 10 percent of the shares and have a seat on the board, maintenance workers did walk off the job for ten weeks this spring.

One lesson from all this is that unions can have a more important role in worker-owned firms than had previously been supposed. The rights of ordinary shareholders in large firms with publicly traded stock have long been ignored by management. But whereas conventional shareholders can sell out, worker-shareholders have no place to go. Their only option is to organize.

Traditionally, American unions have been suspicious of making workers into owners. And with good reason. Giving workers stock is often part of a deliberate strategy to undercut unions by blurring the line between capital and labor. Keeping that line sharp and clear can be a protection for both unions and their members. John Simmons — who arranged an employee buyout of his own family construction business — quotes a union official: "When labor gets in bed with management, there will be two people screwing the worker, not one."

Moreover, worker-ownership plants have often been little more than an excuse to palm off obsolete plants on workers, with the taxpayers greasing the skids via the Internal Revenue Code. In the process, conventional pension plans with diversified investment portfolios get converted to ESOPs — which are riskier, having all their money in one, usually struggling, company. After the buyout the firm has to struggle even harder because it must repay the money the ESOP borrowed from the bank. None of this capital goes into making a factory more productive. Thus, for an employee buyout to succeed, productivity must improve.

ESOPs have also been used to save management jobs from hostile takeovers. In 1983, for example, the managers of Dan River Inc. talked its workers into buying out 70 percent of the company to stop famed corporate raider Carl Icahn from taking over the firm. Today, management remains firmly in control, one-third of the work force has been laid off, and the workers have to pay off a \$100 million loan. Some workers now wish Icahn had taken over the company.

Competition and industrial decline are forcing more and more wages-for-stock trades. And, like it or not, unions are feeling their way into this uncharted territory. United Auto Workers president Douglas Fraser now sits on the board of Chrysler. The president of the United Steelworkers, Lynn Williams, has made employee ownership part of the union's own strategy for revitalizing the steel industry. And even the machinists' union — whose leader, William Winpisinger, has been a critic of employee ownership — now finds its members sitting on corporate boards of directors.

But ultimately, worker ownership may turn out to be what will bring about a revitalization of the American labor movement — because, although it can be a tool for union-busting, worker ownership also has the potential for evolving into European-style "codetermination". In West Germany and Scandinavia, workers sit on the boards of directors of most major corporations, and many basic decisions affecting factory conditions are made by workers on "works councils".

John Simmons does not think the goal is too farfetched for the United States.

"You can't expect to undo 200 years of hierarchical management overnight," he says. "In the last five years we've established that employee ownership can work. We are learning every day about the difference between real worker ownership, where workers and managers share responsibility for the company, and pseudo-worker ownership, where they don't. In another three years we should be able to say we know how to make it work."

Mother Jones

# TRADE UNIONS AND WORKER CO-OPERATIVES —A Complex History

Whether or not cooperative workers join trade unions has been an issue of lively debate. Some cooperative workers argue strongly that cooperatives should be fully unionised, like any workplace. Others claim that worker cooperatives have "transcended" the need for trade unions, since all decisions, including staffing decisions, are determined internally.

## Do Cooperative Workers Need Trade Unions?

Trade unions are democratic associations aiming to improve the wages and conditions of their members: working men and women. They are legally constituted organisations independent of government and employers.

At the end of 1984 there were about 300 unions in Australia with a combined membership of more than three million workers. This covers 56 percent of all workers in Australia. A union may cover a particular craft (eg Plumbers and Gasfitters Employees' Union of Australia), or an industry (eg Printing and Kindred Industries Union), or more diverse groups of workers (eg Australian Workers Union). Some unions are very large with more than 100,000 members, while others have fewer than 1,000. Not all unions operate in the same way, but all have a common aim of pressing for the rights of their members. The Australian Council of Trade Unions (ACTU) and the Victorian Trades Hall Council (THC) are examples of peak union organisations. These organisations coordinate union representation to government, assist in the resolution of disputes and promote unionism. They also coordinate union work on areas of special need, for example working women's issues and safety.

The working conditions which workers in cooperatives are entitled to have been won by the organisational trade union movement over many years. It has been trade union action that has won substantial material gains for workers, including the eight hour day, award wages, improved conditions, health and safety standards, workers compensation, protection of skilled labor, maternity leave and redundancy provisions. The maintenance of these sorts of conditions are as important to workers in worker cooperatives as they are to workers in any other enterprise and hence membership of the union able to defend and extend these conditions is just as vital.

Some of the ways in which trade unions could provide support to unionised workers in worker cooperatives are as follows:

- To provide an independent organisation to represent the views of cooperative workers.
- To negotiate in disputes between a cooperative worker and cooperative management/board (disputes can arise within a cooperative).
- To prevent self-exploitation within worker cooperatives by ensuring that wage and employment standards are maintained.
- To assist the establishment of appropriate industrial democracy practices.
- To assist the establishment of appropriate occupational health and safety agreements within cooperatives, and to assist in job design and redesign to ensure those standards are met.
- To educate cooperative workers in issues of relevance to the labor movement.
- To utilise trade unions' detailed knowledge of their industries by identifying opportunities for conversion/start-up cooperatives and to disseminate information of general industry trends and developments.
- To publicise successful worker cooperatives within any industry to workers throughout that industry.

The above points relate to the way in which worker cooperatives can be specifically assisted by the labor movement. The most important advantage is that which affects cooperative workers in the same way as workers elsewhere — the ability of trade unions to defend and extend working conditions.

## Joining A Trade Union

Every trade union covers certain workers in each industry or certain types of

workers across industry.

Waterside workers join one union, waitresses another and plumbers yet another. Within a worker cooperative the workers may be covered by more than one trade union.

For example, workers in a building trades cooperative could be covered by several unions — the Plumbers and Gasfitters Union, the Builders Labourers Federation, the Building Workers Industrial Union and the Electrical Trades Union. Then, within each trade union, there are different awards to cover different levels of skills and different qualifications.

If you are not sure which union you are covered by, telephone the Victorian Trades Hall Council on 662 3511. An organiser from the appropriate trade union may visit your cooperative and assist any queries you may have in regard to membership.

## Some Similarities...

It is interesting to look briefly at the history of cooperatives and of trade unions and to see how both emerged in similar circumstances: both developed as responses to the exploitation of workers under 19th century capitalism. Both sought to improve the individual and collective conditions of workers.

Worker cooperatives developed as organisations whose members combined to economically better their own lives. Worker cooperatives show how workers can successfully and democratically control their own places of production.

Trade unions developed as bodies representing organised labor with the primary aim of improving the wages and conditions of their members. Trade unions show how the combined force of individual workers can exercise power that, individually, workers do not have. They show how that (collective bargaining) power can be used to win concessions and ensure the maintenance of basic rights from those who "own" the wealth they produce.

Worker cooperatives are located within the tradition of the wider labor movement. Cooperatives and trade unions share a commitment to democratic practices, open membership, membership education and cooperation.



## ...And Some Differences

The relationship between the two movements, however, has been somewhat uneasy. It may be useful to think of worker cooperatives as located midway between the labor movement on the one hand and the traditional cooperative movement on the other. Some points of difference between worker cooperatives and the trade union movement have become clear over the years and stem from the "cooperative" features of worker cooperatives. The ambivalence of some sections of the labor movement can be related to these points of difficulty:

- Trade unions have adopted a defence of the employees against the employers. In worker cooperatives this relationship is unclear, since the employees are also the employers.
- Trade unions have protected skilled labor by enforcing demarcation of work, and awarding wage differentials. Some worker cooperatives overstep demarcation boundaries by advocating the practice of multi-skilling and equal wages.
- Trade unions have insisted upon the granting of award wages and conditions as a basic right of workers. Some worker cooperatives have shown a tendency to self-exploit by paying wages which are below the award or the prevailing industry rate.
- Trade unions have assumed an institutional opposition between the interests of labor and of capital. This division is less obvious in worker cooperatives. In making decisions workers have to reconcile their own labor and capital interests.

The ambivalence of some cooperative workers towards the trade union movement is based on the belief that worker cooperatives do as much to advance workers' rights as do trade unions, making membership of trade unions, in their view, unnecessary. Such a view fails to acknowledge that the advances in wages and conditions for workers in cooperatives comes from the combined strength of trade unions and the day-to-day benefits which trade union membership and support can provide.

Members of unions can participate in their union's forums and through these opportunities both contribute to policies and develop skills.

Unions in Britain, France and Italy have very successfully supported the development of worker cooperatives.

In Australia links are growing between worker cooperatives and the union movement.

PRINTING AND KINDRED TRADES FEDERATION.

## Unemployed Bill Demonstration,

9th SEPTEMBER, 1905.



"See yonder poor, d'erlabour'd wight,  
So abject, mean, and vile,  
Who begs a brother of the earth  
To give him leave to toil;

And see his lordly fellow-worm  
The poor petition spurn,  
Unmindful, tho' a weeping wife  
And helpless offspring mourn." - Burns.

# COMPUTER WOLVES



**Co-operators who produce computer information are faced with having to survive in an aggressive and competitive world.**

In Italy today there are about 2,000 software production firms, of which 24 are cooperatives. The latter are current or prospective members of La Lega's consortium of computer cooperatives. (La Lega is the federation representing "red" cooperatives in Italy.)

These co-ops cover the whole spectrum of computer activity. They produce both software and hardware, they are in organisational consultancy and in information systems planning.

The consortium began life in February 1984. It already manages a turnover in the thousand million lira category. According to its young president, Pier Pagnotta, "It's no place for dilettantes". It's a world usually described by the most up to date adjectives: competitive, aggressive, emerging. Pagnotta adds, "It's a world in which one has to know how to go about things right from the start — a world of wolves."

Its offices are in a small building on the southern outskirts of Rome. The brass plate reads "Co-op per l'informatica" (computer information co-operative). From a glance in the spacious room, the numbers of men and women seem equal, all sitting at desks in front of silent videoscreens. There is a meeting room and a cafeteria, both welcoming. Co-op president, Franco Patini, displayed the premises with pride.

The co-op began with a 15 million lire (\$15,000) bank overdraft guaranteed by La Lega. It has quickly grown to incorporate a turnover equivalent to \$3 million annually. The ten founding members, one woman and nine men, were experts in various fields of computer science, both technical and commercial. There are now 13 male and four female employees, distributed over four qualification levels.

Behind these encouraging figures there is naturally a well oiled work routine with a pinch of healthy cooperative spirit ("Solidarity increases the capacity to consolidate our work", says Franco Patini), a pinch of competition ("everyone is given the possibility to improve, but they must merit it"), and a pinch of

healthy innovative risk ("everyone employed, right from the start, has been young, and what we lose in training time we gain later in their dedication").

All the women interviewed agreed with the main points of the business philosophy expressed by Patini, and said that in comparison with other firms, there was no discrimination against women. Emanuela Savelli, 25, is both a cooperative member and worker at the first level.

"Franco is only terrified that one of us may become pregnant", she said jokingly.

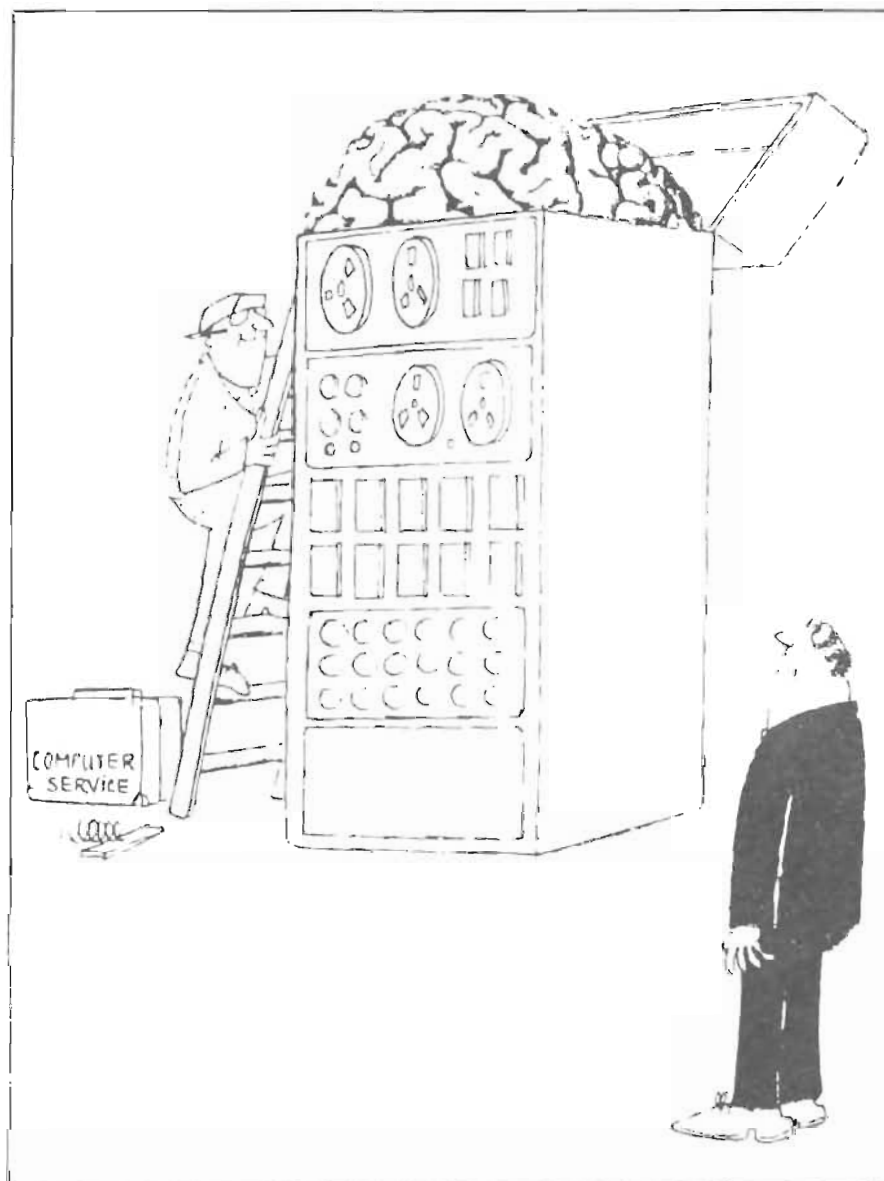
"And if he could, he'd organise a daily handout of contraceptives. He's not only worried that in our absence the business would lose productivity, he's also afraid that our commitment to this venture might diminish. For him and the other founding members, the business is the nicest thing in their lives."

Another worker, Cristina Galliani, was critical of the "computer expert" myth.

"Programming doesn't require high scientific knowhow, only the knowledge of the key words in the translation of one language to another."

"I'm new here, and at this stage I don't





have an idea of the whole product, because I don't have much contact with the outside. To have contact with the outside means seeing where that thing which you helped produce (which in the case of software is a sequence of instructions enclosed in a small magnetic disk) has ended up."

Emanuela said clients readily accepted her as an 'expert' in her field.

"There's no problem, because when you finally get to customer relations, you've followed the whole project through. You are already used to adopting a precision in your language which gives both you and others confidence."

"Actually the problem is that if you take on the job of developing a project, you're also carrying the responsibility of the whole cooperative. I'm very proud of this responsibility, even though there's always the tension. If I fail I feel like a worm but if I succeed I'm on cloud nine."

Emanuela said programming had become a "powerful" profession.

"If you are an expert in bookkeeping, you are replaceable with another expert, no matter how clever your work is."

"As a programmer, on the other hand, you are always 'exceptional', not because you're a genius, but because you and only you know a certain machine, a certain procedure, the lingo."

Recently the cooperative decided to institute a form of promotion in an attempt to reconcile co-operation ideology with individual advancement.

"It was a turning point for the cooperative", said Emanuela.

"It was decided to reward ability with a graded placement. Wages would remain the same, but someone so rewarded would acquire more power."

Emanuela was the only worker to oppose the action.

"I must say I didn't object for ideological reasons, but because I questioned the criteria by which ability was being judged. Why should the cooperative reduce itself to pursuing unbridled competition?"

Translated by Noni Serte from *Noi Donne*, an Italian women's magazine which recently published a series of articles on women's cooperatives.



**MELBOURNE'S**

australian...acoustic...reggae  
african...caribbean...country...

**MOST**

symphonic rock...new music....  
contemporary jazz...jazz rock..

**DIVERSE**

drama.....comedy....blues.....  
60's...big bands...punk.....

**MUSIC**

heavy rock...soul...new release  
4:30pm - 2:00am

**STATION**

24 hours  
weekends

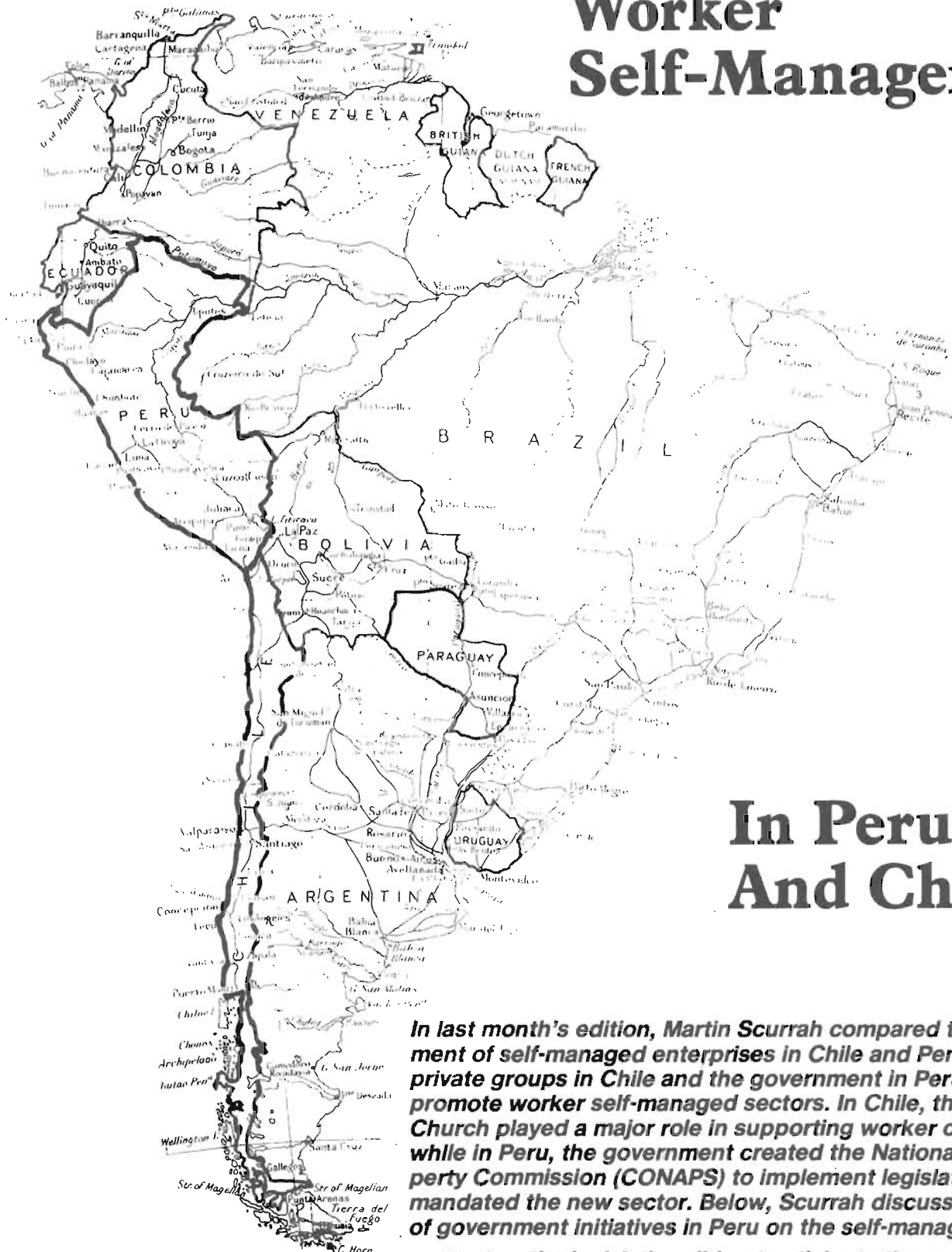
## SOUND OPPORTUNITIES FOR BUSINESS



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## Worker Self-Management



## In Peru And Chile

*In last month's edition, Martin Scurrah compared the development of self-managed enterprises in Chile and Peru. In 1974, private groups in Chile and the government in Peru began to promote worker self-managed sectors. In Chile, the Catholic Church played a major role in supporting worker cooperatives, while in Peru, the government created the National Social Property Commission (CONAPS) to implement legislation which mandated the new sector. Below, Scurrah discusses the effects of government initiatives in Peru on the self-managed sector.*

**J**ust as the legislation did not anticipate the need for an adequate organisational structure to launch the new sector, it also underestimated the time lag in converting an idea into an independently functioning business. Self-managed firms did not spring into being.



Instead, struggling companies with management boards dominated by government appointees were emerging: a strange hybrid between state and self-managed enterprises.

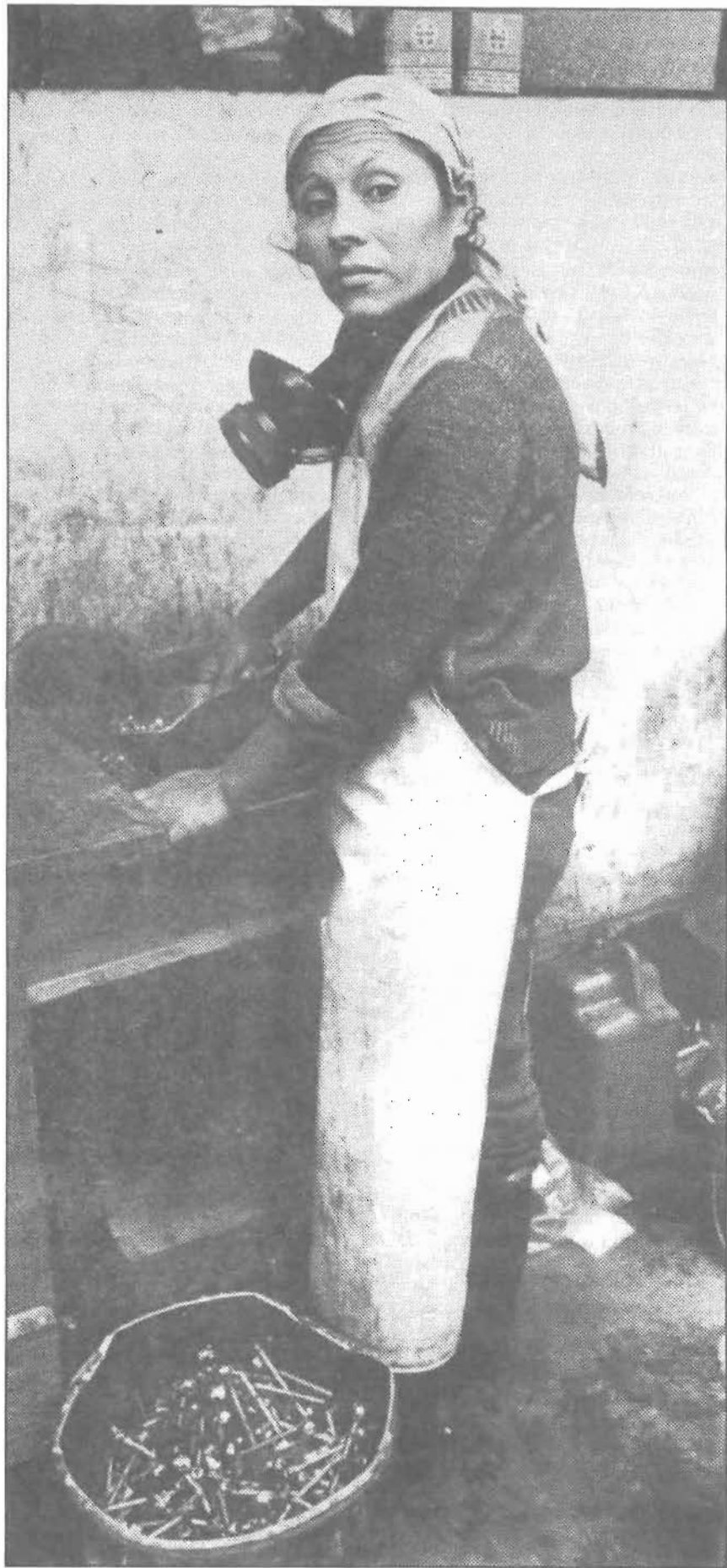
After 1976, the government appointed to CONAPS managers who would eliminate the amateurish and even demagogic style in which the sector and its firms had been run. The new appointees tried to impose economic and technical rationality on the sector, but at the price of reduced worker involvement. By 1980 a return to civilian rule was imminent, and the government made a last attempt to revitalise the sector. Workers elected their own boards of directors; regional and national assemblies were inaugurated; and worker control over FONAPS, the sector's financial institution, was confirmed.

The transfer of power was hasty, and it destabilised rather than consolidated the sector. The assembly elections prefigured the impending national elections and reflected partisan political concerns. There was not enough time for a genuinely representative leadership to form, and many of those elected were later accused of corruption. The legitimacy of national assembly elections was questioned, and for a time there was an acrimonious public debate between competing factions. Meanwhile, FONAPS faced a liquidity crisis, largely because of past unpaid loans.

In some ways this disarray was misleading, as the focus of worker self-managed enterprises had already shifted. After 1976, government interest waned, and private initiatives began. As a result of bankruptcies (often fraudulent), prolonged labor conflicts, and factory takeovers, many companies were acquired by workers who were either unionised, organised as an industrial community, or both. Although many of these firms could have, few joined the social property sector; either the new businesses were considered financially unsound, or their workers feared external controls.

Legally, these firms were required to become worker production cooperatives, but few felt strong ideological or historical ties to the cooperative movement. These firms generally had a militant and integrated membership with ties to labor unions. Most of the new production cooperatives were affiliated with the Committee of Worker-Administered Firms (CEAT).

To help support these firms, three private institutions were formed with foreign financing. CIDIAG was started by a group of former officials from the Ministry of Industry. Although it has been relatively successful in gaining worker confidence, only recently has it begun to provide effective technical assistance, especially in the management of CEAT's revolving fund. The second group, INDA, was a splinter from CIDIAG, and con-





centrated on providing loans, especially working capital. A series of speculative ventures to generate profits to compensate for below-market-cost loans to self-managed firms led to huge losses, and the firm is currently in liquidation. The third organisation, INPET, was founded by former generals and high-level civil servants to provide legal services. More recently, INPET has begun a technical assistance program and is exploring a foreign donations or transfers from the state treasury, and — despite the precarious solvency of most borrowing firms — offered loans on favorable terms at below-market interest rates. This financial strategy generated a problem common to development finance institutions: the onset of decapitalisation. If loans do not carry an interest rate that at least matches the rate of inflation, the lender suffers a loss (which is magnified by administrative overhead and the costs of servicing loans) and will eventually exhaust its funds. possible loan fund. Partly because of the competition among these three support institutions for clients, and partly in an attempt to avoid isolating themselves from the union movement, the firms in CEAT remain a loose coalition.

## Some Lessons Of The Chilean and Peruvian Experience.

Although the attempts to foster worker self-managed firms by creating a network of private and public support groups had diametrically opposed origins in Chile and Peru, there were convergences. The Chilean effort began in crisis and faced economic and political hurdles that were perhaps insurmountable. Similarly, Peru suffered from the effects of recessions in the world economy during the 1970s, and initial government sponsorship of self-managed firms faded into eventual indifference.

In both Peru and Chile, the effort to organise an integrated sector began outside existing worker self-managed firms, admittedly with the best of intentions. In both cases, the attempts were largely unsuccessful, although the exceptions are interesting. The firms with the best chance to survive in Chile into the 1980s could all trace their origins to the period when self-managed enterprises were first emerging, while all of the companies purchased after 1974 failed. In Peru, worker self-managed businesses have sprung up outside the auspices of the government and have begun to attract a private support structure. This suggests that the firms that have the best chance to survive originate "organically" — under unique circumstances, perhaps, but from the workers themselves.

Without diminishing the importance of external factors such as the health of the national economy and the attitude of the government, some of the failures in Chile and Peru were due to an inadequate relationship between self-managed firms and their support structure. This can be seen by exploring the record of the Chilean and Peruvian institutions that provided credit, training, legal advice and technical assistance.

**Credit.** In both Peru and Chile, most worker self-managed firms were either new, were decapitalised by the bankruptcy of their previous owners, or had outmoded equipment which needed replacement. The borrowing needs of these enterprises were acute, but the workers' capacity for self-management was unproved, and financial institutions did not believe these businesses were credit-worthy. Workers also lacked adequate alternative sources of capital such as personal or family savings.

The professionals who promoted self-management in both Peru and Chile responded by establishing financial entities dedicated predominantly or exclusively to providing loans to worker-owned enterprises. In Chile, an existing development finance institution was bought and transformed; in Peru, a quasi-public development finance institution (FONAPS) and a private loan fund (FON-SIAG) were created.

These lending institutions were capitalised totally or partially by private, foreign donations or transfers from the state treasury, and — despite the precarious solvency of most borrowing firms — offered loans on favourable terms at below-market interest rates. This financial strategy generated a problem common to development finance institutions: the onset of decapitalisation. If loans do not carry an interest rate that at least matches the rate of inflation, the lender suffers a loss (which is magnified by administrative overhead and the costs of servicing loans) and will eventually exhaust its funds.

The financial development institutions in Peru and Chile used two approaches to avoid decapitalisation, without much success. First, they sought "inexhaustible" sources of funds, such as central reserve banks or foreign philanthropic organisations. However, in practice, no bank or international donor was willing to supply funds indefinitely, especially with results that were not encouraging. The financial development institutions in Chile did have access to funds from international donors for some six years, but the money finally dried up in 1981, when most of the businesses in the self-managed sector had gone or were about to go bankrupt.

Although FINTESSA — the sector's primary lending institution — had grown by 1982 into the twelfth largest of 18 financial institutions in Chile, its assets were tied up in unpaid loans to the insol-

vent firms. In Peru, government funds never matched the level of rhetoric and remained frozen as government interest waned during the late 1970s.

Some development groups used a second strategy to avoid decapitalisation. They tried to generate new funds — either by attracting deposits from or making loans to the general public, or by investing in speculative ventures. The money available to earn new money was limited, however. These development institutions were obliged to devote most of their resources to their clients in the cooperative or social service sector. The leaders of these institutions also were inexperienced in commercial banking and were unable to successfully compete with traditional banks in making profitable loans to the private sector. When some institutions tried to maximise their scarce resources through speculative ventures, the slide toward decapitalisation accelerated.

Problems were also experienced by the borrowers. Many of the self-managed firms were totally reliant on the financial support institutions for loans. Knowing that the lenders had received their funds from donations or subsidised loans on condition that the money would be assigned to self-managed firms, the workers frequently felt "entitled" to the money they borrowed. As a result, the self-managed enterprises often felt no obligation to repay their loans or did so only after meeting other obligations. The financial institutions attributed this phenomenon to the workers' immaturity, irresponsibility or lack of solidarity.

This basic difference between the support institutions and the enterprises was aggravated by the underlying condition of most of the borrowing companies. Most firms were saddled with large debts, obsolete machinery, and too little working capital. They needed a combination of medium- and long-term capital (to replace outmoded equipment, expand their plant, or diversify production); and short-term working capital (to provide an adequate cash flow and to increase production by exploiting idle capacity).

Unfortunately, the financial institutions had, at best, only limited funds for medium- and long-term loans. In Chile, at least, the first priority for funds during the early 1970s was for buying new firms rather than stabilising existing production cooperatives. Even when credit became available, production cooperatives suffered a competitive disadvantage compared to private firms with equity capital which implied no repayment and on which dividends could be skipped when necessary.

When short-term loans were available, the repayment schedule for working capital often was less than the time needed to rotate the funds and generate the income necessary to retire the loans. The resulting penalties and additional



financial expenses increased the real cost of the credit and limited the firms' ability to generate their own working capital.

In fact, the financial institutions resorted to such "hidden" charges as penalties and commissions to recoup money from loans that were offered at unrealistically low rates. This attempt to compensate grew out of the early and widespread amateurism in the financial institutions. Set up in order to "help" a specific sector, lending authorities tended to define their task in political, social, and philanthropic rather than financial terms. From this point of view, subsidised credit was considered equivalent to a donation which might or might not be repaid. On the basis of this fatalistic assumption — often more implicit than explicit — loan recovery became a hope rather than an expectation.

Within the firms, it was only a short step to use credit to sidestep rather than solve organisational problems — frequently saving incompetent or unscrupulous managers from the logical consequences of their actions. Employing the logic of subsidy, the financial institutions did not evaluate projects by their profitability and thus failed to implement a system for monitoring loans and advising firms. They were unable to assure the productive use of the money or its future repayment. As a result, self-managed enterprises continued to borrow in the belief that if they could not pay their loans, they need not pay.

The fact that the Chilean Foundation for Development and its successor, the Self-Management Institute, failed to keep adequate financial records to oversee or evaluate the funds they were funneling into the self-management sector is symptomatic. Audits were virtually impossible. Not only did this hamper sectoral planning, it wasted an opportunity to use loans to educate and train workers and managers in the responsibilities of running their own business.

There were attempts in both Chile and Peru at midstream corrections. In Chile, loan funds were targeted at those firms with the greatest chance to survive; in Peru, more experienced technicians were appointed to FONAPS, and they tried to introduce greater rationality into the system.

Unfortunately, the new "rules of the game" were often introduced abruptly, and exacerbated tension between the firms and the support agencies. In Chile, workers who were about to lose their jobs pressured the primary development lending institutions into channelling funds intended for consolidating firms with better survival prospects into the revival and reorganisation of businesses about to fail. In Peru, the technical staff soon clashed with the new majority of worker representatives on the FONMAPS board and resigned.

The accumulation of indebtedness was



Worker at women-owned enterprise in Lima

slowed but not halted. Over time, the firms' assets were tied up totally or substantially in underwriting their loans. When the financial institutions — which were largely staffed by ex-civil servants from the Ministry of Industry in Peru and the Industrial Development Agency (CORFO) in Chile — discovered that their external funding was finite, the failure to develop strategies to maintain and increase their loans funds placed the lending agencies in a double bind. Loans could be recaptured only by bankrupting and auctioning off the very firms the agencies were supposed to support. The companies' dependence on the financial institutions was transformed into an interdependence where neither the firms nor the institutions were autonomous or viable.

International philanthropic organisations contributed to the paralysis in various ways. First, they funded institutions that lacked employees with sufficient knowledge and experience. Second, they approved projects that had no prospect of achieving self-sufficiency in the medium term on the (unspoken) understanding that additional future funding was available. Third, they did not exercise sufficient or timely supervision or follow-up in order to detect emerging problems. Finally, they never fully

understood what was necessary to develop a financial system that would promote the firms' autonomy and consolidation. The basic problem was that support for self-managed enterprises did not transcend the desire to save jobs. Firms were not equipped to become more productive; they were *maintained*, and their continued survival depended on donations and subsidised credit.

**Training.** Workers in self-managed enterprises are typically unprepared for the tasks and responsibilities that come with ownership. To give them a competitive boost, support institutions provide training programs to equip the firms' labor force with the skills that the marketplace demands. Usually, these programs concentrate on three areas: motivational development, technical training, and managerial expertise.

Because worker participation is usually a new experience, worker-owners need a set of new ideas to help interpret their roles. This new conceptual framework — which in its most elaborate form approaches an ideology — helps build a consensus among the labor force and reinforces acceptance of commonly agreed-upon rules of the game. The particular content of this motivational ideology can vary widely, as the diverse



experiences of the Hutterites, Israeli *kibbutzim*, and the workers in Yugoslavian self-managed companies indicate.

The early training programs in both Peru and Chile tried, with varying degrees of success, to supply such a motivational underpinning. In Chile, three institutions were charged with developing training programs during the early 1970s. Each of their curricula provided a separate social and political rationale. Not only did this make it difficult to organise worker self-managed enterprises into a sector, but ideology was offered at the expense of technical and administrative skills. Within five years, the three support groups had dissolved without creating a permanent training program.

In the late 1970s, INA integrated a training program into its effort to channel financial aid to those firms with the greatest apparent chance to succeed. This second training phase was more pragmatic than the first, focusing on teaching literacy and technical, entrepreneurial, and administrative skills. The program was well received by workers but was terminated because participating firms could not pay for the service when INA was forced to curtail its

activities because of financial difficulties.

The early training programs in Peru were also strongly ideological. However, as government support for a new "social property" sector waned, and as new worker self-managed businesses sponsored by the state arose, the range of ideologies grew. One immediate effect was to

make the coordination of sector-wide policies even more difficult than in Chile. As technicians succeeded the social reformers who staffed the government support institutions, there tended to increase managerial competence within firms. Somewhat heretically, this drive for efficiency emphasised centralised control over worker participation and training. The private support groups which emerged to service new worker production cooperatives promoted competing ideologies which sometimes sparked crippling conflicts within individual firms and tended to increase friction between firms.

The experience in both Peru and Chile suggests that worker self-managed firms may need a justifying rationale if they are to cohere, but ideology is no substitute for technical training. In the more successful programs, job-related technical training tended to promote worker satisfaction and provide a sense of job security, thereby reinforcing the idea of worker participation in the firm.

On the other hand, technical training can be too narrowly drawn, particularly when applied to managerial improvements. In a small firm, the workers must organise themselves to collectively run their business. In larger companies, the workers must be able to supervise managerial and technical per-

sonnel. Both tasks require workers to make new decisions as owners. Traditionally, management programs teach skills for particular slots in an organisational hierarchy, eg bookkeeper or salesman. One reason these programs succeed is that there is normally agreement about what a bookkeeper or salesman needs to know. But there is less certainty about how to teach the general principles of business operation to the members of a production cooperative. Self-management training programs often fail because there is no consensus about what a cooperative's general assembly or governing board needs to know.

Although many of the training efforts in Chile and Peru have fizzled, some of the more successful programs have begun to integrate the diverse aspects of training with an effective methodology. Using inductive techniques, the workers study and analyse what is concrete and familiar (his or her machine, workshop, or job), gradually and accumulatively incorporating more complex realities. For example, a training program in Lima taught workers the concept of the break-even point by organising groups to collect information about the costs,

output, sales price etc of their most important machine. The data were then used to illustrate the distinction between fixed and variable and direct and indirect costs.

Training efforts organised by CEDEC in Chile and INPET in Peru have used these experiential techniques to teach

job-related skills in a way that helps workers to better manage themselves. A firm's technical leaders (manager, foreman, line supervisor) and its political leaders (generalist, members of the governing board) are included in the program so that the problem-solving methodology can be internalised within the firm. When this kind of training succeeds, conflicts between "participatory" laborers and "authoritarian" managers are minimised, and the factory or shop is transformed into a classroom where people learn how to analyse and adapt their everyday work habits. Since the content of programs emerges inductively, it is possible to tailor the training to an enterprise's specific and most-urgent needs.

**Technical assistance and legal advice.** A worker self-managed firm usually begins with problems that must be addressed immediately (such as a lack of funds to meet the payroll or sudden resignation of key technicians) even if the workers are inadequately trained to solve them. Coordinating longer-term training programs with the more immediate needs for technical assistance was a problem in both Peru and Chile.

Technical assistance from support institutions was initially overlooked in Chile, where the overwhelming priority was to help workers buy firms before the

companies could be sold to outsiders. After the enterprises were purchased and began to have problems, the need for technical assistance became more apparent, and responsibility for providing the needed aid gravitated toward the development finance institutions. These institutions were understaffed, however, and the same people who evaluated loan applications were expected to help the firms with their organisation and managerial problems. These professionals not only were cut off from vital information (it was not in a firm's interest to spotlight its problems if that would jeopardise a loan), they were themselves usually inexperienced in dealing with the problems of self-managed firms. As a result, assistance tended to be improvisational and occasional.

As self-managed firms encountered more problems, two other efforts to provide technical advice were started. Neither was successful. The umbrella organisation managing the sector (INA) ostensibly offered technical assistance, but it never organised a systematic or permanent support structure. One private group, CEDEC, did eventually organise a technical aid program that also offered legal and entrepreneurial

advice, but this plan promised medium- and long-term benefits when most firms were facing imminent bankruptcy. Self-managed firms could not afford to pay for the advice they needed, and the support institutions lacked funds to subsidise a more thorough program.

Firms in Peru have had difficulty obtain-

ing technical aid that was consistent with workers managing their own enterprises. Initially, the government officials who were charged with servicing the sector had as their immediate objective the mobilisation of a sector from scratch, not the servicing of its organisational and technical needs. As these appointees were replaced by technicians, centralised and efficient management — rather than participatory management — was emphasised.

Despite frequent failures, there have been positive experiences with technical assistance in both Peru and Chile. One private institution in Peru that provides workers with advice has developed a particularly effective "delivery system". In response to a firm's request for help, a written report and perhaps a verbal report are presented. Beyond that, however, training programs are organised for everyone in the firm to explain how the study was made, the alternatives considered and rejected, the arguments in support of recommendations, and the tasks required for implementation. As a result, workers are better able to implement a project's recommendations.

The experience of self-managed firms in both Chile and Peru underscores that legal advice is important for a number of reasons. First, many self-managed enter-



prises begin with workers taking legal action to defend their interests and acquire ownership of the company. Second, since self-managed firms are organised differently from traditional businesses, existing legislation may be prejudicial or indifferent toward their problems, creating the need for new legal formulas. In Peru, for example, a new body of Social Law was passed to help adjudicate disputes involving social property firms.

## From Dependence To Interdependence

Achievements in worker self-management in Peru and Chile have been limited at best. In both countries, smoothly integrated sectors of individual firms and complementary support institutions failed to develop. Why?

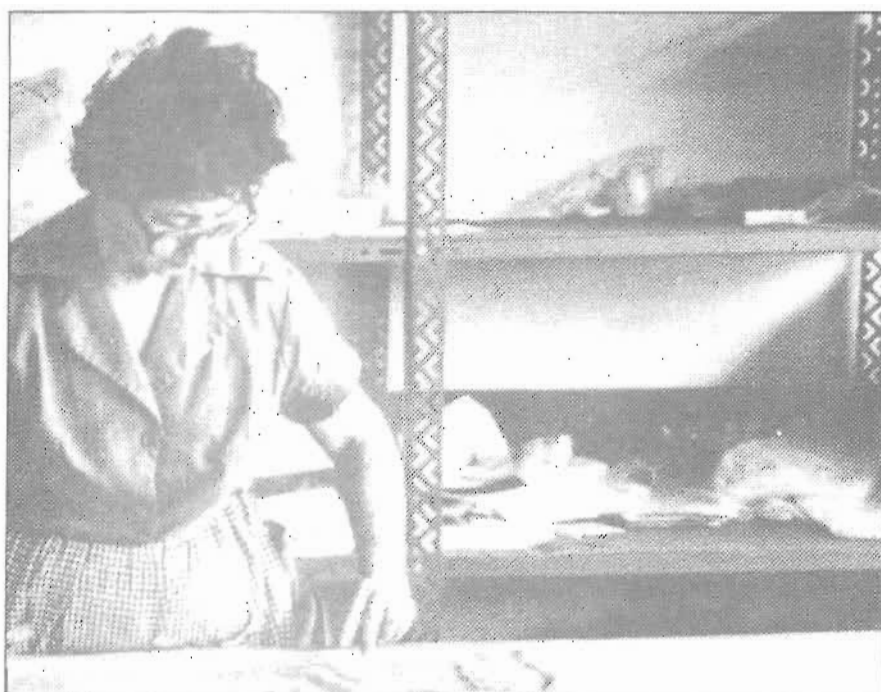
A large part of the answer lies in the condition of the two national economies and the levels of state hostility and/or indifference. Yet, a deficient relationship between the firms and their support institutions was also a factor. The various types of support — credit, training, technical assistance, and legal aid — were often uncoordinated.

Organisations frequently offered only one service; and when umbrella institutions attempted to unify services, they usually compartmentalised responsibility for each function within a separate department.

The experiences that we have reviewed suggest that an approach that integrates credit, training and technical and legal assistance will generate the best results. It is easy to see why. Self-managed firms often must borrow. If adequate studies are not made to determine the amount needed and the turnover time to pay off the loan, and if workers are untrained to use the funds efficiently, a firm may end up saddled with a crushing debt. An undercapitalised cooperative may survive for years at low-income levels — and then go bankrupt with the "help" of a well-intentioned but poorly planned loan or technological conversion.

The actual lending of money, however, is an important exception to the principle of integration of services. Financial development institutions in Peru and Chile which provided both loans and other services often confused technical with socio-political criteria, and donation with credit. Conflicts of interest developed, and both the service institutions and their clients eventually become insolvent. This suggests that the criteria, and perhaps the responsibility, for making loans should be separate from other forms of assistance.

A second factor that affected the quality of support institution service was personnel. Typically these organisations have been staffed by former government



Packaging nylon stockings, Lima

employees and by professionals with a political commitment to the poor and to the remaking of society. The ex-government officials generally are highly motivated, but they often favor grandiose schemes more appropriate to national planning and operate in a bureaucratic style that emphasises codified rather than innovative procedures. These professionals sometimes display an Olympian disdain for budgets and cost overruns, presuming that the state treasury (or its equivalent) will provide needed funding. Many politically motivated professionals, on the other hand, tend to subordinate technical financial criteria to ideology. Institutions staffed primarily by this group frequently operate in fiscal and administrative chaos and offer services that are technically mediocre or unsound. Admittedly, support institution professionals cannot be divided neatly into separate categories, but these two types occur frequently enough to be easily recognisable.

Finally, there is a danger of mutually damaging conflict between worker self-managed enterprises and their support institutions when both compete for the same scarce resources. Most self-managed firms begin with a desperate need for reliable assistance from support institutions. Understandably, the firms want the best help for the lowest cost with the fewest limitations. Meanwhile, support institutions prefer predictable clients with manageable demands so that service tasks can be simplified and rationally planned. When the sector as a whole is not expanding and the number of potential clients is frozen, support institutions have little incentive to further client independence or to cooperate with other potentially competing support groups.

Ideally, the relationship between self-managed firms and their support structure could be symbiotic. In the real world, each party often views the other as parasitic. Certainly, the economic and political crises in Peru and Chile during the past decade have increased antagonisms so that relations between many support groups and self-managed enterprises have degenerated into power struggles, mutual destruction, or typically, chronic instability and conflict. In the words of one worker, "When we sit around the table with representatives (of a support institution) to discuss the problems of the firm, some have a machine gun, some have a knife, and some are completely unarmed."

How can an antagonistically dependent relationship be converted into a viably interdependent one? Although failures have been frequent, the record of worker self-management in Peru and Chile suggests that those support institutions which give individual firms the best chance to survive and grow offer integrated services and use participatory methodologies that preempt potential conflicts and misunderstandings. Such institutions tailor their services not only to meet the specific need of the firm, but also to emphasise organisational development so that training is combined with consulting, an integrated vision of the firm is promoted, and workers learn the skills to solve their own problems.

*Martin Scurrah was until recently professor of organisational behaviour in Lima's Escuela de Administracion de Negocios para Graduados (ESAN). He is currently a lecturer in business administration at LaTrobe University. Bruno Podesta is Chair of the Social Science Department at the Universidad del Pacifico in Lima. Ron Weber contributed to the writing of this article.*

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